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FISCAL IMPACT STATEMENT

LS 6438

BILL NUMBER: SB 1

NOTE PREPARED: Mar 2, 2006

BILL AMENDED: Mar 1, 2006

SUBJECT: Marion County Government Matters.

FIRST AUTHOR: Sen. Young R Michael

FIRST SPONSOR: Rep. Buck

BILL STATUS: As Passed House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill contains the following provisions:

Nepotism: The bill provides that after June 30, 2006: (1) a relative of a member of a board, committee, council, or commission or head of a department, an office, or an institution of a Marion County political subdivision may not be employed by the board, committee, council, commission, department, office, or institution or receive compensation as an employee from an appropriation; and (2) an individual may not be in a direct supervisory or subordinate relationship with a relative. The bill provides that compliance with the statute does not require the termination or reassignment of an employee of a political subdivision from a position held by the employee on and continuously after June 30, 2006.

Fire Department Consolidation: The bill consolidates the fire departments of the townships, fire protection territories, and the airport authority in Marion County into the fire department of the consolidated city if: (1) the legislative body of the consolidated city adopts an ordinance before August 1, 2006, to consolidate the fire departments and the mayor of the consolidated city approves the ordinance; and (2) a transition plan is adopted before January 1, 2008, by ordinance of the legislative body of the consolidated city and the mayor approves the ordinance. The bill provides that after review by the board, the mayor shall select the fire chief from the nominated candidates.

Consolidation Date: The bill provides that if the consolidation is approved, it shall be effective January 1, 2008. The bill specifies, however, that if the legislative body does not adopt a transition plan until after December 31, 2007, the effective date of the consolidation is not January 1, 2008, but is instead the date specified by the legislative body in the ordinance adopting the transition plan.

Excluded City or Town Fire Departments: The bill establishes a procedure for the fire department of an excluded city or town to be consolidated into the fire department of a consolidated city if the legislative body of the excluded city or town and the city-county legislative body adopt substantially similar ordinances authorizing the consolidation.

Duties of Consolidated Fire Department: The bill requires the fire department of a consolidated city to establish, operate, and maintain emergency ambulance services in the fire district served by the consolidated fire department.

Metropolitan Board of Fire Commissioners: The bill establishes the Metropolitan Board of Fire Commissioners to: (1) prepare a transition plan; (2) approve all equipment relocations, purchases of more than \$50,000, and all station closings; (3) oversee asset reallocations; (4) nominate two candidates for fire chief of the consolidated department (the mayor also nominates a candidate); (5) appoint a member to the merit commission; (6) advise the fire chief regarding the operations of the consolidated department; and (7) perform other tasks.

Consolidated Fire Department Taxing District: The bill provides that if a consolidated fire department is established, the Consolidated Fire Department Taxing District ("Taxing District") is established in Marion County. The bill specifies that the Taxing District consists of all territory in the county except territory of an excluded city that has not consolidated its fire department.

The bill provides that the Taxing District shall levy a property tax within the territory of the Taxing District to pay for the following: (1) providing fire protection services and emergency ambulance services within the territory of the taxing district and providing for the operation of the consolidated fire department; and (2) providing any equipment, buildings, or land necessary for the consolidated fire department and for providing fire protection services and emergency ambulance services within the territory of the taxing district.

The bill provides that the property tax levy limits do not apply to property taxes imposed by the Consolidated Fire Department Taxing District to pay or fund: (1) any indebtedness of a township assumed by the consolidated city; and (2) any indebtedness issued by the consolidated city after the consolidated fire department is established, to pay for fire protection services, emergency services, or equipment, buildings, or land related to fire protection services or emergency medical services.

The bill establishes the initial maximum levy for the taxing district.

The bill reduces the maximum levies of entities that are consolidated into the consolidated fire department.

It provides that during the first four years after consolidation, the total property tax rate imposed by the taxing district in a township may not exceed the property tax rate imposed in the township for fire protection in the year preceding consolidation

Consolidated Fire Department Fund: The bill provides that the tax revenue shall be deposited in a Consolidated Fire Department Fund. The bill specifies that the county auditor shall administer the fund and is responsible for the issuance of warrants for payments from the fund.

Township's Firefighting Cumulative Building and Equipment Fund: The bill provides that balances in a township's firefighting cumulative building and equipment fund on January 1, 2008, shall not be transferred

to the consolidated city but shall be transferred first to a dedicated township fund and used to pay pension obligations under the 1937 Firefighters' Pension Fund (if the township has any unfunded liability for that pension fund) and if any balance remains after that transfer the remaining balance shall be transferred to any other cumulative fund or rainy day fund established by the township before January 1, 2008.

Rainy Day Funds: The bill provides that the balances in any rainy day funds established by a township for any purpose are not transferred to the consolidated city.

Emergency Services Education Center: The bill specifies that the Emergency Services Education Center in Wayne Township and any related debt shall not be transferred to the consolidated city.

Pension Obligations: The bill provides that property taxes to fund the pension obligation for members of the 1937 firefighters fund who are employees or retired employees of the consolidated city when the consolidated fire department is established may be levied only by the existing fire special service district within the territory of the fire special service district and may not be levied by the taxing district.

The bill specifies that in the case of a township or an excluded city that consolidates its fire department: (1) the liability for the payment of pension obligations under the 1937 firefighters' pension fund who are employees or retired employees of the township or excluded city at the time of the consolidation remains with the township or excluded city; and (2) property taxes to fund that pension obligation may be imposed by the township or excluded city only within the township or excluded city.

County Option Income Tax: The bill provides that a portion of townships' County Option Income Tax distributive shares are instead paid to the Consolidated Fire Department Taxing District.

Firefighting Cumulative Building and Equipment Fund: The bill establishes a firefighting cumulative building and equipment fund for the consolidated fire department.

Township Review Board: The bill creates a Township Review Board in Marion County to review and make recommendations regarding: (1) township duties and the joint provision of services; and (2) fire protection services provided in the county. The bill provides that the board is abolished December 31, 2008.

Full-time Employment: The bill provides that a full-time, fully paid firefighter of a fire department, fire protection district, or fire protection territory consolidated into the Indianapolis fire department is entitled to be employed as a full-time, fully paid firefighter of the Indianapolis fire department at not less than the same merit or permanent rank or an equivalent merit or permanent rank that the firefighter held on the later of the effective date of the bill or the date the firefighter fills a vacant position through a merit testing process.

Marion County Auditor: The bill provides that the Marion County Auditor (rather than the Indianapolis City Controller) must record certain information concerning warrants issued by the Auditor. The bill provides that the signature of the Marion County Auditor may not be signed on, imprinted on, or affixed to a warrant for the payment of county or city funds without the approval of the Auditor. The bill specifies that the Marion County Auditor may take certain actions assigned by law to the auditor without the approval of the Indianapolis City Controller. The bill specifies that the Marion County Auditor is responsible for payroll functions and duties for all city and county departments, offices, and agencies, and the Indianapolis City Controller may not perform these functions and duties, except as requested by the Auditor.

Human Resources Policies: The bill provides that each elected county officer is responsible for establishing the human resources policies and personnel policies that apply to employees of the county officer, and that these policies may be established without the approval of any other person, except for City-county Council approval of compensation of employees.

(The introduced version of this bill was prepared by the Marion County consolidation study commission.)

Effective Date: Upon passage; July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures: The bill establishes a process for the consolidation of fire departments in a consolidated city which could lead to indeterminate cost savings if service duplications are removed or administrative efficiencies are increased. Certain responsibilities are transferred to the county auditor which could provide for administrative efficiencies. The bill also establishes the Township Review Board which could lead to reduced administrative costs by making recommendations concerning certain township functions. All of these potential cost saving will depend on the actions of the Mayor and the City-County Council to adopt resolutions. The bill includes other provisions that may increase administrative costs for boards and fund administration.

Under current law, a township fire Department in Marion County may consolidate with the Indianapolis Fire Department only if the township trustee, township board, Mayor of Indianapolis, and the City-County Council all agree to the consolidation. Under the bill, township fire departments and the Indianapolis Fire Department could be consolidated into a consolidated fire department (CFD) on January 1, 2008 under an ordinance adopted by the City-County Council and approved by the Mayor of Indianapolis without approval by the township. The ordinance would have to be adopted by July 31, 2006.

The CFD would provide fire protection services for all of Marion County, with the exception of areas within the excluded cities that opt not to join the consolidation. All property, equipment, records, rights, and contracts of a fire protection entity that is included in the consolidation would be either transferred to or assumed by the City of Indianapolis (the City). In the case of a multi-use building, only that part of the building that was funded with taxes imposed for fire protection and that is used for fire protection would be transferred to the CFD. The Wayne Township Emergency Services Education Center would remain the property of the township. All employees of a department joining the consolidation would become employees of the CFD. Applicable labor agreements would also transfer.

If the township's cumulative firefighting fund has a balance, that balance would be transferred to a dedicated township fund to pay obligations under the 1937 pension fund. Any remaining balance not needed for pension obligations would be transferrable to any other township cumulative fund or to the township rainy day fund. The remaining balance would be transferred to the CFD in a township that has not established another cumulative fund or a rainy day fund by January 1, 2008.

Excluded Cities: Three of the four excluded cities of Marion County (Beech Grove, Lawrence, and Speedway) operate a fire department. Both the excluded city and the City-county Council would have to adopt substantially similar ordinances in order to consolidate one of these departments into the CFD. If these

departments were to be consolidated into the CFD, the same provisions applicable to other consolidating departments would apply to these departments.

Pensions: After a consolidation, members of the 1937 Fund remain members of the 1937 Fund and members of the 1977 Fund remain members of the 1977 Fund. This should result in no fiscal impact.

Debt Assumption: The City would assume, pay, or refund all debt related to fire protection services incurred before the consolidation date by an entity whose department is joining the consolidation. Under the bill, the City may not assume any amount of debt that would cause the consolidated city's total debt to exceed the current 2% debt limit, which equals 2% of 1/3 of the consolidated city's assessed valuation. The 2005 total township fire debt levy was \$12.6 M. The only fire debt levy identified for an excluded city was \$576,700 in Lawrence Township.

Township Fire Levy and Budget Information: The eight suburban townships of Marion County had the following certified budgets, levies, and rates in CY 2005 with respect to fire-related funds.

CY 2005 Township Fire Budgets & Levies									
	Fire			Cumulative Fire			Fire Debt		
Township	Budget	Levy	Rate	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	2,215,006	1,915,268	0.1894	150,150	251,796	0.0249	2,246,126	2,128,637	0.2105
Franklin	4,158,110	2,924,170	0.1610	400,000	355,986	0.0196	2,513,816	2,648,100	0.1458
Lawrence	9,490,570	7,225,589	0.2051	1,215,000	782,097	0.0222	941,583	887,786	0.0252
Perry	9,367,977	6,387,918	0.1975	2,214,682	695,394	0.0215	0	0	0.0000
Pike	9,186,091	9,660,391	0.2022	1,265,050	1,304,296	0.0273	0	0	0.0000
Warren	10,997,613	6,139,748	0.2059	700,000	751,441	0.0252	2,296,779	2,167,847	0.0727
Washington	14,478,863	8,853,597	0.1671	1,752,911	1,117,959	0.0211	0	0	0.0000
Wayne	14,121,364	15,344,659	0.4776	1,400,746	864,262	0.0269	5,174,414	4,816,090	0.1499
TOTAL	74,015,594	58,451,340		9,098,539	6,123,231		13,172,718	12,648,460	

	Fire Pension			TOTAL		
Township	Budget	Levy	Rate	Budget	Levy	Rate
Decatur	0	0	0.0000	4,611,282	4,295,701	0.4248
Franklin	0	0	0.0000	7,071,926	5,928,256	0.3264
Lawrence	0	0	0.0000	11,647,153	8,895,472	0.2525
Perry	469,811	168,188	0.0052	12,052,470	7,251,500	0.2242
Pike	0	0	0.0000	10,451,141	10,964,687	0.2295
Warren	328,776	0	0.0000	14,323,168	9,059,036	0.3038
Washington	1,104,188	407,975	0.0077	17,335,962	10,379,531	0.1959
Wayne	0	0	0.0000	20,696,524	21,025,011	0.6544
TOTAL	1,902,775	576,163		98,189,626	77,799,194	

Note: The budgets listed in the above tables include certified plus additional appropriations where applicable.

Background - Fire Service Information: There are approximately 36 fire stations (including the Indianapolis International Airport station) in the eight suburban townships of Marion County. There are 8 additional stations in the three excluded cities that have fire departments.

Ambulance Service: The Consolidated City, through the CFD, would be required to operate an ambulance service in the county.

Explanation of Local Revenues: *County Option Income Tax :* The bill would redirect a portion of eight townships' shares of revenue from the County Option Income Tax (COIT) to the CFD taxing district. Except for Center Township, 66% of the COIT shares that would otherwise be distributed to the townships would be distributed to the CFD. The 2005 COIT revenue to be distributed to the eight townships totals \$7.2 M. The redirection of 66% would equal approximately \$4.7 M.

Property Tax Levies in General: This proposal would create the Consolidated Fire Department Taxing District (CFD District). This new district would encompass the entire county except for an excluded city that does not opt to join the CFD. The bill would cause fire-related levies and obligations to be transferred from several taxing units in the county to the CFD District. Each of these tax levies is moving from a smaller, more localized tax base to a broader tax base. Except for 1937 fire pensions, the fire protection tax rate would be the same for all taxpayers within the CFD District.

(Revised) *Maximum Levies:* Under the bill , the CFD District 2008 maximum levy would equal the sum of:
(1) The amount levied in 2007 for fire protection (excluding debt and 1937 pension obligations) in the townships, airport authority, and fire territories that are consolidating;
(2) The amount paid for fire protection in 2007 from the Consolidated City's property tax levy; and
(3) The amount levied in 2007 for fire protection (excluding debt and 1937 pension obligations) from the current 's property tax levy.

The bill requires the DLGF to adjust the budgets, tax rates, and tax levies of the consolidating units to reflect

the consolidation. The consolidating units' maximum levies would be reduced by the amount included in the CFD District maximum levy.

However, in determining the fire services tax rate that property owners will pay in the first four years of the consolidation, the bill would limit the CFD District rate charged in the townships, but outside of the current fire special services district, to the fire services tax rate (including the fire debt rate) charged by the township in the year before the consolidation. The revenue that would have been generated by the excess rate would be lost by the CFD District. Using 2005 levies, AV, and tax rates, the revenue loss is estimated at about \$14.5 M per year for the four years. This estimate could change pending certification of the 2006 levies and rates.

(Revised) Fire Service District Maximum Levies: The consolidated city's maximum permissible levy would be increased by the unused portion of the current fire special service district maximum levies each year. The increase would be limited to 10% of the fire special service district maximum levy. It would appear that part of the fire special service maximum levy could, over a period of several years, be migrated over to the consolidated city if local authorities wish to do so.

In CY 2005, the maximum levy for the fire special service district was \$36.7 M. The CY 2005 maximum levy is lower than the 2004 amount (\$38.9 M) because not all of the 2004 levy authority was used. The 2006 maximum levy is still lower at \$35.9 M. Fire protection levies for the townships may be found in the *Explanation of Local Expenditures* section of this fiscal note.

1937 Pension Fund Levies: Under this proposal:

- (1) Only the fire special service district may levy property taxes to pay 1937 pension fund obligations for employees or retired employees of the consolidated city;
- (2) Only a township may levy property taxes to pay 1937 pension fund obligations for employees or retired employees of the respective township; and
- (3) Only an excluded city that consolidates may levy property taxes to pay 1937 pension fund obligations for employees or retired employees of the respective excluded city.

The bill would also establish a county cumulative fire building fund. Taxes for this fund may only be levied within the CFD district.

State Agencies Affected:

Local Agencies Affected: Marion County; Cities of Indianapolis, Beech Grove, and Lawrence; Town of Speedway; Townships in Marion County; Indianapolis Airport Authority.

Information Sources:

Fiscal Analyst: Karen Firestone, 317-234-2106; Bob Sigalow, 317-232-9859.